

Testimony regarding HJR M
Rep. Brian Palmer, Chair, House Education Committee

I have introduced HJR M, a House Joint Resolution to amend Article IV, Section 53 of the Constitution of the State of Michigan to formally grant to the Auditor General the authority to perform audits of local and intermediate school districts.

This article requires the Legislature to appoint an Auditor General, who is required to: "conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance audits thereof." In addition, various sections of state law also contain specific audit requirements that conform to this constitutional mandate.

The Auditor General's office primarily provides the Legislature with information to assist in the oversight of the branches of state government.

Like most states, Michigan spends a large portion of its budget on K-12 education. The proposed FY 2007 School Aid, for example, budget totals roughly \$13.1 billion. Of that, roughly \$11.7 billion is from state sources (primarily the School Aid Fund), and \$1.4 billion is from the federal government.

Unlike other state auditors, Michigan's Auditor General is not empowered to audit how those funds are spent by school districts or intermediate school districts. In fact, 33 other states have some form of oversight at this level. In the current era of results-based budgeting and increased oversight of public spending, the Legislature may wish to employ the Auditor General to gather information on school spending, and, consequently, a constitutional amendment would be needed to grant the Auditor General the needed powers to do so.

This shortfall in Michigan's Constitution became readily apparent last session when I established the Subcommittee on Intermediate School District Review. When the Subcommittee attempted to enlist the services of the Auditor General in its investigation, it was denied. This denial was pursuant to an attorney general's opinion that school districts were exempt from the definition of Article IV, Section 53, an opinion based partially on the deliberations from the Constitutional Convention that led to our current constitution in 1963.

It could be said that local and intermediate districts already have required audits, and the implementation of the Accountability 101 and 102 legislative packages, developed from the Subcommittee, make these required audits even stronger. However, while these statements may be true, it is also true that some districts won awards for their financial management during the time period when sums of money were misspent.

In the intervening 43 years, the entire manner in which we deliver and fund education in Michigan has changed, from largely locally-based to increasingly more state and federal based. The end result of these changes is a substantial gap in appropriate state-level oversight over roughly one-third of the funds appropriated by the state.

When taxpayers spend \$13 Billion a year on education, they have the reasonable right to expect that the state will exercise, or at the very least, have the ability to exercise oversight as to how those funds are spent. Through this amendment, a local or intermediate district will be no different than any branch, department or institution of the state.

The real benefit of this constitutional clarification is to provide a much needed tool for the Legislature to more effectively do its job. Our budget process in Michigan has become one that stresses performance and results, a trend that I am sure will continue into the future.

Performance audits conducted by the Auditor General will be a necessary component in helping the Legislature determine if stated goals have been achieved, or if programs have been successful. This level of assistance can clearly be a significant analytical tool for policy deliberations regarding not only educational excellence, but also in seeking best practices in areas such as transportation, technology, health care, and methods. By having a common method of measuring the degree of success or failure of past policy decisions, we as a legislature can make the best informed choices for the future.